

Four Men Indicted On Federal Charges In \$158 Million Consumer And Mortgage Fraud Conspiracy

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Another Defendant Pleaded Guilty Today; Two Others Previously Pleaded Guilty And Are Awaiting Sentencing

CHARLOTTE, N.C. – The former senior vice president of a manufactured housing retailer, two of his former sales managers and a former loan officer associated with the retailer have been indicted on federal charges involving a \$158 million consumer and mortgage fraud conspiracy, announced the U.S. Attorney's Office for the Western District of North Carolina.

The superseding criminal indictment filed on August 6, 2013, stems from an ongoing investigation into allegations that the defendants were involved in a consumer and mortgage fraud conspiracy that defrauded North Carolina buyers of manufactured and modular housing and originated \$158 million in fraudulent federally-secured loans for their purchase. Another defendant pleaded guilty today in connection with the scheme and two others have already pleaded guilty to related charges and awaiting sentencing.

U.S. Attorney Tompkins is joined in making today's announcement by Lester Fernandez, Special Agent in Charge, Office of the Inspector General, Office of Investigation of the Department of Housing and Urban Development (HUD-OIG); Karen Citizen-Wilcox, Special Agent in Charge, Office of the Inspector General, Office of Investigation of the U.S. Department of Agriculture (USDA-OIG); Keith Fixel, Inspector in Charge of the Charlotte Division of the U.S. Postal Inspection Service (USPIS); and North Carolina Attorney General Roy Cooper who oversees the North Carolina State Bureau of Investigation (NC SBI).

The superseding indictment charges Dennis Wayne Parris, 55, of Pinehurst, N.C., Fabian Sparrow, 35, of Burlington, N.C., Andrew B. McKeown, 38, of Asheboro, N.C., and Isaac "Ike" A. Vinson, IV, 46, of Pawleys Island, S.C., with one count of conspiracy to make false statements to the U.S. Departments of Housing and Urban Development (HUD) and Agriculture (USDA) and one count of wire fraud conspiracy. Parris, Sparrow and Vinson are also charged with one count of aiding and abetting the destruction of documents with intent to impede a federal investigation.

According to allegations contained in the superseding indictment, from in or about April 2005 to October 2010, Parris, Sparrow, and McKeown were employed by Phoenix Housing Group ("PHG"), a manufactured and modular housing retailer headquartered in Greensboro, N.C. with sales offices throughout North and South Carolina. Parris was Senior Vice President at PHG. Sparrow and McKeown worked as sales managers at PHG's sales centers doing business as "Southern Showcase Housing" in

Burlington and Asheboro, respectively. A fourth former PHG employee also involved in the scheme, Roger Dean Bailey, Jr., 40, of Hickory, was the sales manager of PHG's sales center in Granite Falls, N.C., doing business as "Homes America."

The superseding indictment alleges that Parris, Sparrow, McKeown and Bailey executed a mortgage fraud scheme to sell PHG manufactured and modular homes to consumers in North and South Carolina. Parris, Sparrow, McKeown, Bailey, and other PHG officers allegedly created a culture at PHG wherein employees were compelled to generate as many sales as possible regardless of whether their customers could afford the homes they were sold. Furthermore, the indictment alleges that, even after the HUD investigation into Bailey and Homes America became known, Parris, Sparrow and McKeown continued the scheme at other PHG locations.

According to the indictment, the co-conspirators were able to secure financing on those loans with the assistance of three loan officers of W.R. Starkey Mortgage ("WRSM"), a mortgage loan originator with corporate offices in North and South Carolina, among other states. WRSM was approved to originate loans insured by the Federal Housing Administration ("FHA") or guaranteed by USDA. Vinson was a WRSM branch manager and loan officer in Myrtle Beach, S.C. Marina McCuen, 49, of Asheville, N.C. was a loan officer for WRSM's Asheville office. Vinson originated loans for PHG customers in Burlington and supervised McCuen, who originated loans for PHG customers in Granite Falls, N.C. Joseph Klakulak, 37, of Charlotte, was a loan officer for WRSM's Charlotte office. The indictment alleges that the three loan officers conspired with PHG's management to fraudulently obtain federally-secured mortgages for PHG customers' purchase of home/land deals.

In all, Parris, Sparrow, McKeown, Bailey and their conspirators sold over 1,100 homes to North Carolina consumers from PHG stores in Burlington, Asheboro, Granite Falls, and elsewhere, financed with more than \$158 million in government-insured loans. The fraudulent loans resulted in hundreds of mortgage insurance claims totaling more than \$24 million and net losses to the United States presently exceeding \$16 million. According charging documents in Klakulak's case, he originated over 400 of these loans, totaling more than \$60 million, causing net losses to the federal government in excess of \$3 million.

The superseding indictment further charges that, beginning in September 2008, Parris, Vinson, Sparrow, McCuen and Bailey obstructed HUD's investigation into PHG's and WRSM's fraudulent activities at PHG's Granite Falls sales office by destroying and attempting to destroy documents and asking witnesses to lie to investigators.

Today, Klakulak pleaded guilty before U.S. Magistrate Judge David S. Keesler to one count of conspiracy to defraud the United States and to make false statements to HUD and USDA. He was released on bond pending sentencing, which has not been set yet. At sentencing, Klakulak faces a maximum of five years in prison and a \$250,000 fine.

Bailey pleaded guilty in October 2011 to conspiracy to commit wire fraud and to make false statements to HUD, making false statements to HUD, and wire fraud. McCuen pleaded guilty in June 2012 to one count of conspiracy to make false statements to HUD and USDA in connection with this scheme. Both

McCuen and Bailey have been released on bond and await sentencing.

Also today, Vinson had his initial appearance on the superseding indictment before Judge Keesler. Vinson was released on bond. His co-defendants, Parris and McKeown, have been ordered to appear on a summons and will be arraigned on the charges on September 3, 2013. An arrest warrant has been issued for Sparrow, who is currently believed to be a fugitive. A photo of Sparrow is attached.

If convicted on all offenses, Parris, Sparrow, and Vinson face a maximum of 55 years in prison and a \$1.5 million fine. McKeown faces a maximum of 35 years in prison and a \$1.25 million fine if convicted on counts one and two of the indictment.

The charges contained in the indictment are allegations. The defendants are presumed innocent unless and until they are proven guilty beyond a reasonable doubt in a court of law.

In January 2011, PHG ceased business operations as part of a settlement with the Consumer Protection Division of the North Carolina Attorney General's office. This settlement stemmed from a state civil action filed in November 2009, claiming Bailey, then the owner of K and B Home Builders in Hickory, N.C., along with other employees and/or managers of PHG and WRSM, as well as other businesses and individuals, were involved in deceptive consumer practices.

The prosecution for the case is being handled by Assistant United States Attorney Michael Savage and Benjamin Bain-Creed of the U.S. Attorney's Office in Charlotte. The investigation is being handled HUD-OIG, USDA-OIG, USPS-OIG, and state investigators with NC SBI, the Office of Commissioner of Banks and the Consumer Protection Division of the N.C. Department of Justice.